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1. Guarantee Approved For Release 2009/07/22 : CIA-RDP80T00246A008200560002-8

The central system of planning, administration, controls and reporting was introduced in the construction industry gradually since nationalization in 1946. The Soviet system of top level planning and controls was blindly copied and adjusted very little to the Polish structure, and soon grew to a pyramid of controls and inspections. It rested entirely on the shoulders of the lowest production unit of the construction industry; that is, on the construction enterprise known officially as the association of industrial (or other type) construction [] listed the superior administrative and other authorities existing in Poland in 1957 which required additional reports from the construction enterprise and which carried various inspections:

Inspections and controls carried out within the construction enterprise by its own executives are not included. Very often the head office of the construction enterprise was located far away from the construction site.

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Usually the head office administered in a bureaucratic way and requested many additional reports and organized innumerable conferences, all very time consuming for the management of the construction project and its executive officers, this represented an additional level (step) in the inspection system.

2. Construction management on the building site (Zarzad Budowy) was inspected by:

- a) Association of construction (industrial or other type) enterprise
- b) Central Administration of industrial construction since 1957:
Local Construction Administration or National special construction administration.
- c) Ministry of Construction and Building Materials Industry and its various departments which carried independent controls and inspections in their fields such as:
 - technical department
 - employment and wages department
 - planning department
 - finance department
 - production department
 - chief mechanic department
 - technical control department
 - main inspector for safety and hygiene
 - central administration of supplies

Every department had its own plan of work and plan of inspection and usually arrived at the construction site at different times. In the case of important construction on the national level, if the Party central committee or Premier got interested, a large group of inspectors from every branch and level arrived simultaneously for several days and completely paralyzed the normal work of executive personnel.

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d) Other ministries:

Ministry of Finance and on its behalf, the Investment Bank also
Ministry of Forestry and Timber Industry
Supreme Chamber of State Control
Main Statistical Office (reporting only)

e) The Economic Planning Commission and its departments

f) Vice-premiers and bureaus of the Ministers Council

g) Party : Central Committee of PCPR
Voivodship committees
District committees
Basic party organization at the construction enterprise.

the inspections and controls carried out by various party levels were the most absorbing and time consuming, despite the fact that they were not responsible for planning and administration. The party organs in fact stood above the administration and controlled the production and interfered in all fields.

h) Labor Unions of construction employees and others carried various inspections and checked the following problems: competition in work and individual resolutions, application of so called socialistic methods of work, improvement and increase of working norms, leadership, safety and hygiene, workers clothing, employment and wages, rationalization and inventions, training, recreation facilities, library theater, sport activities and absenteeism.

i) Local Peoples councils.

Since 1955 in connection with the trend of decentralization of administration, the representatives of local peoples councils looked into various problems affecting communal economy, housing, employment, transportation etc. They inspected the construction enterprises and requested additional information and reports, and the construction enterprises, being to some extent dependent on them, had to endure it.

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j) Sejm (the parliament) also increased its activities and formed various committees for inspection since it did not trust the government statistics and data collected by individual deputies and by assigned persons. Information and reports from the construction enterprises were given directly to the Sejm committees voluntarily in hopes that the Sejm would straighten out the difficulties and improve the situation.

3. Calculation of losses.

The Association of Industrial Construction Warsaw II which employed about 180 white collar employees and about 2000 workers was controlled by the following inspections in 1956:

| | <u>Days</u> |
|--|-------------|
| a) Regular monthly control by Central Administration of Industrial Construction (It had about 60 employees and supervised six construction associations) of implementation of construction plan each inspection 3 days x 12 month | 36 |
| b) Inspections by one of departments of the Ministry of Construction on average one inspection a month for one to two days | 20 |
| c) Financial control by a team of bookkeeping specialists and auditors from the Ministry of Construction once a year, in the first quarter after yearly balance, 2-3 weeks | 15 |
| d) Control of national construction by large teams of inspectors from the Central Administration of Industrial Construction from general investor and from the Ministry of Industrial Construction, average four inspections during the year on six building sites. | 48 |
| e) Special inspections requested by the Economic Planning Commission because of delays in building of four projects, together with inspectors from the Military Team of the Economic Planning Commission, in company of vice-ministers of construction, inspectors from the Council of Ministers and representatives of the Industrial Department of the Central Committee of PZPR. Each inspection was preceded by a three day preparatory meeting of all technical personnel from the association and from the central administration. Altogether six inspection, 4 days each. | 24 |

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| | <u>Days</u> |
|--|-----------------------------|
| f) Inspection by the Central Administration of Supplies from the Ministry of Construction to check the economy of materials and stock taking by four inspectors each for different field, two weeks. | 12 |
| g) Inspection of installation materials and electric, water, gas, steam and compressed air pipes, wires etc., from Central Administration of Supplies every 3rd or 4th month | 6 |
| h) Inspection of cement stocks in summer months by the Central Administration of Supplies | 4 |
| i) Inspection of steel stocks by Central Administration of Supplies | 4 |
| j) Inspection by the State Timber Inspection from Ministry of Forestry lasting 10 days | 10 |
| k) Special inspection by department of wages and employment of the Ministry of Construction and Labor Union representatives from Warsaw district in connection with regulation of <i>new</i> working norms. | 12 |
| l) Special inspection from the Ministry of Construction, inspection of safety and hygiene together with Labor Union representatives twice on each construction site for two weeks. | 24 |
| m) Special inspection of workers hostels initiated by the Ministry of Social Welfare together with representatives of Party, Labor Union, and Warsaw Peoples Council. | 2 |
| | <u>brought forward days</u> |
| n) Special inspection and collection of information and statistical materials by the Warsaw Committee of PZPR together with the representatives of the Central Committee of PZPR. Twice for three weeks on several building sites and at the Association of Industrial Construction. | 217 |
| | 36 |
| o) The preparation of Party conference at the Association of Industrial Construction in order to transmit the resolutions of the Central Committee of PZPR - in cooperation with the representatives of district and Warsaw Committee of PZPR. Altogether five weeks of exhausting work of the secretary of Basic Party Organization, all technical and administrative executives of the associations. | 30 |

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|--|-----------|
| p) General inspection by the Chief Mechanic department of the Ministry of Construction concerning the exploitation of construction machines twice a year for one week. | 12 |
| q) General inspection of material depots, repair workshops, auxiliary production establishments, enterprises producing prefabricated elements and transportation facilities. Twice for 10 days by a combined inspection team from the Ministry of Construction and Economic Planning Commission. | 20 |
| r) Inspection by the representatives of the Ministry of Transportation for four days to check the exploitation of motor transport. | 4 |
| s) Inspection of construction projects and orders of Ministers Council by the Ministry of State Control for four weeks. | 28 |
| t) Inspection and control by Investment Bank of one large construction project for eight days; and for ten days, control of wage funds in the entire association. | 18 |
| u) Investigation by the inspection team for special matters of the Ministry of Construction of thefts of construction materials, especially timber, nails and tarpaper, for three weeks. | 21 |
| v) General control of own investments by the investment department of the Ministry of Construction, three times for four days. | <u>12</u> |

Total Days 398

not all of the above mentioned inspections and controls embraced the entire association; some of them were carried out on individual construction sites or in particular fields. However, there was not one day without inspections on this or other fields, or in one of the enterprises subordinated to the associations. Very often there were on the same day several inspections simultaneously. In Warsaw there were usually sent out large teams of inspectors; the same number of inspections were carried out in large provincial towns like Katowice, Krakow Poznan and of the building sites of large construction projects of national importance like Nowa Huta, Oswiecim, Kedzierzyn.

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However, the construction enterprises in smaller provincial towns and in rural areas were less molested by inspections and the total number of days varied from 40 to 60% in comparison with the Construction Association Warsaw II described above.

According to

rough calculations

the loss of time caused

by excessive inspections and controls in relation to the total working time of all 180 executive, administrative, technical and all remaining white collar employees of the described association amounted to:

| | |
|---|------------|
| - in ref to paragraphs a,d,e,n,o and u to about | 11% |
| - in ref to remaining inspections to about | 3% |
| Total | <u>14%</u> |

The executive personnel was of course much more absorbed by the current inspections and the total loss of time for this group should be estimated from 25 to 30%.

One should also take in consideration that about 5% of the personnel was engaged in preparation of reports, a great percentage of which was not necessary at all for the construction enterprise but had to be made to satisfy the bureaucratic system. the Association of Industrial Construction submitted during a calendar year about 120 reports; of this about 80 monthly and half of this figure was illegal, not requested by Main Statistical Office, but had to be prepared. The Committee for Improvement of Reporting System cut down 45% of previous obligatory reports but as the time went by the number of reports for various government and party organs increased again.

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In comparison with a prewar construction enterprise which had to submit to the government authorities only the accounts for income tax and social security insurance accounts and were, in addition, inspected by the municipal construction inspection, and if building a government project, also by the inspections of the ministry involved, lost from 4 to 5% of the entire working time of all employees in addition to the time necessary for management of a normal, economically sound enterprise.

The total loss of time resulting from the present system of excessive controls and reporting among the total number of employees amount to up to 15%. Among executive personnel it amounts to about 25%.

Much more serious however were the indirect losses in production of the entire construction enterprise including workers which were caused by:

- a) The flight of experienced construction engineers from production to the administrative positions in various government establishments to avoid the responsibility, constant juggling of data and falsification of reports. As a result of this, the level of executive personnel and management responsible for actual construction was lowered.
- b) Absorption of time and energy of the entire personnel by unnecessary inspections and controls, and the reduction of their efficiency in management and supervision.
- c) Neglect of production tasks while devoting time to artificial maneuvers and the effort of planning and reporting to support the fictions.
- d) Lowering of the authority of management of construction sites, insubordination, lowering of discipline among workers and creation

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of the impression that connections, preparation of "fabricated" report are more important than honest work.

- e) Drop of efficiency of work.
- f) Drop in quality of work, despite the excessive inspections and controls, and insufficient useful checking and control of quality.
- g) Connection of premium system to the reporting system, in most cases fictitious, which tends to reduce not improve production.
- h) Overpayment for materials and labor in order to get a temporarily advantageous report and consequently higher premiums.
- i) Dislike and resentment among employees and workers caused by unjust decisions of higher authorities.
- j) Disregard of the value of materials; waste and thefts.

These indirect losses were also caused by a combination of the factors one of which was the excessive control. at least 15% of the drop of working efficiency, 30% of the drop of quality of work, and 20% of the material losses and waste should be attributed to the excessive controls and to the compulsion to falsify and lie arising from the reporting system.

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As for costs, about 15% of general expenses in the construction industry resulted from excessive inspections and controls.

due to the above mentioned causes, the costs of construction increased, and made the following calculation:

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- a) Work efficiency: should be in Poland about twice as high as at present and in such case the unchangeable costs (for workers hotels and quarters, canteens, safety and hygiene of work, protective clothing and other services for workers) could be reduced by about 8% - $0.15 \times 8 \dots 1.2\%$

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| | |
|--|------------|
| b) Quality of work: The improvement of blunders costs about 10% | |
| - 0.3 x 10 | 3.0% |
| c) Waste of materials and thefts: could be estimated about 10% of the total costs of materials, that is, about 6% of total costs of construction | |
| - 0.2 x 6 | 1.2% |
| d) General costs (administration, management) amount to about 20% | |
| - 0.15 x 20 | 3.0% |
| | <hr/> |
| | Total 8.4% |

which represents a large burden.

Summing up all losses resulting from excessive controls, inspections and reporting amounted from 8 to 9% of total costs of construction, of which about 3% is direct and about 5.5% indirect losses.

Further, about 10% of the controls described above serve a useful purpose. However, due to the excessive demands for reports and inspection, around 15% of really necessary inspections are not made. The situation described in construction is worse than that prevailing in other industries where reports and inspections become routine.

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